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ALLOCATIONS

A member receives the State insurance allocation for each month as long as that member is in pay status at least one-half of the working days of that month.

Allocations are earned in the actual month worked.

Example:

An employee who works October 1 thru November 8 earns the October allocation but not the November allocation.

An employee may get paid for a portion of a month but may not earn the allocation for that month if he or she is not in pay status at least one-half of the workdays of that month.

To be eligible for a full allocation, a teacher, counselor, librarian, administrative employee or other professional employee must be employed full-time. A support worker, such as janitorial staff employee, custodian, maintenance worker, lunch room worker, or teacher aide, must be employed at least twenty (20) hours per week (excluding bus drivers who are full-time by law) to receive a full allocation. Permanent part-time employees who meet the qualifications will be entitled to a pro rata allocation.

	Allocation Entitlement if Enrolled in Hosp/Med or HMO Plan	Allocation Entitlement if Enrolled in Optional Plans
Professional/Administrative Employee Works		
Less than ¼ time	0	0
At least 1/4 time but < 1/2 time	¼ insurance allocation	1 Plan
At least 1/2 time but < 3/4 time	½ insurance allocation	2 Plans
At least 3/4 time but < Full-time	¾ insurance allocation	3 Plans
Full-time	Full allocation	4 Plans
	(Each additional optional plan can be purchased for \$38.00/month)	
Support Worker Works		
0 to 4.9 hours/week	0	0
5.0 to 9.9 hours/week	¼ insurance allocation	1 Plan
10.0 to 14.9 hours/week	½ insurance allocation	2 Plans
15.0 to 19.9 hours/week	¾ insurance allocation	3 Plans
20 or more hours/week	Full allocation	4 Plans
	(Each additional optional plan can be purchased for \$38.00/month)	

Section 16-25A-9, *Code of Alabama, 1975*, requires that the allocation amount be paid for all employees eligible for insurance even if no coverage is elected.

Example:

A new employee begins work August 23 and does not enroll in coverage until October 1.

PEEHIP would not require the system to pay the pro rata allocation for August if the employee does not elect coverage on his date of employment; **however, PEEHIP would require the insurance allocation amount for the full month of September.**

Leave

A member can use his or her accrued or donated sick leave in order to be in pay status to receive the State allocation. Sick leave, annual leave, or catastrophic leave **cannot** be manipulated in such a way that a member receives the allocation inappropriately. A member must use his or her accrued sick leave, annual leave or catastrophic leave **continuously** and **consecutively** when not actively employed.

3-1 Rule

A member earns **one** month of an additional insurance allocation for every **three** months the employee is in pay status at least one-half of the work days in the month for that school year. The *3-1 Rule* only applies in a situation where an employee has terminated employment, retires, is not in pay status at least one-half of the work days in the month, goes on an approved leave of absence without pay, or begins employment in the middle of the year.

The 3-1 Rule is applied using a September thru September year.

- Extra allocations earned by a member must be applied to insurance premiums immediately after the member is separated from employment.
- The member cannot pick and choose the months to use the allocation.
- An employee must be in pay status at least one-half of the available workdays for three full months to earn an extra one month of an insurance allocation.
- An employee can only use the earned allocation credit for the current fiscal year i.e., the allocation credit cannot be used after September 30.
- The *3-1 Rule* is handled in the same manner for all employees regardless of whether they are paid on a 9, 10, 11 or 12-month basis.

The table below should be used when calculating the number of months an employee is entitled to receive the insurance allocation:

Actual Service (in months)	Earned Allocation(s)
1	1
2	2
3	4
4	5
5	6
6	8
7	9
8	10
9	12
10	12
11	12
12	12

Terminated Employee

If a terminated employee earns an allocation by applying the *3-1 Rule*, but the employee does not elect to continue the coverage and does not pay the employee share of the premium, the school system can request a refund of the allocation paid for that employee after the COBRA election time period has elapsed.

The system is not required to pay the September allocation for an employee terminating the end of May but has worked September through May. These employees have earned the insurance allocation through August but should be taken off the August for September Monthly Insurance Report.

Family Medical Leave Act

The *3-1 Rule* applies even when a member is granted leave under the Family Medical Leave Act. If the employee earns additional allocations under the *3-1 Rule* prior to going on leave under FMLA, the extra allocations should be applied to the months following said leave.

Death

Extra insurance allocations earned under the *3-1 Rule* can only be used by the employee and cannot be used by the employee's family in the event of the employee's death. If a husband and wife are combining allocations and one member dies, the living spouse cannot use the deceased member's extra allocation earned.

Retiring Members

Retiring members are eligible to receive the extra allocations earned under the *3-1 Rule*.

Example:

- A June 1 retiree who worked 9 months during the school year would earn extra allocations through August 31. (The system is not required to pay the September allocation.)
- A July 1 retiree who worked the entire school year would earn extra allocations through September 30.

The school system is **required** to provide the appropriate insurance allocation earned under the *3-1 Rule*, and the retiree should not be deleted from the active Insurance Report until after the retiree has been given credit for the extra allocations earned under the *3-1 Rule*.

The *3-1 Rule* is handled in the same manner for retirees as for active employees regardless of whether they are paid on a 9, 10, 11 or 12-month basis.

Example:

A July 1 retiree who is paid on a 12-month basis would still earn extra insurance allocations under the *3-1 Rule* thru September 30.

Medicare

If a member or dependent is already Medicare eligible due to age or disability at the time of his or her retirement, Medicare will become the primary payor and PEEHIP the secondary payor **effective on the date of the member's retirement**.

It is extremely important for the member and/or dependent to have Medicare Part A and Part B to assure adequate coverage with PEEHIP. The member will continue to earn the active allocation according to the *3-1 Rule*. If both member and dependent are eligible for Medicare, the reduced Medicare out of pocket cost should be deducted.

Employee Transfers

When an employee transfers from one system to another without a break in coverage, the **new** system will be responsible for paying the allocation the **first full month** of the employee's contract.

Example:

If an employee terminates with system A on May 31st and the employee's contract with system B starts July 1st, A will pay the June allocation (*3-1 Rule*), but system B will pay the July allocation. However, if the employee terminates employment with system A on May 31st and the employee's contract with system B starts August 13th, system A will be responsible for the June, July and August allocation.

Transferred and Combined Allocations

Transferred Allocations

- Employees can transfer the State allocation to a spouse who is employed with a PEEHIP participating system.
- An employee may **not** transfer the State allocation to a spouse who is employed with a non-participating system.
- A retired member's allocation cannot be transferred to an active member.
- A retired member can accept the active spouse's allocation.

Combined Allocations

When two full-time employees, both covered under PEEHIP, elect to combine their allocations, there is no premium remittance required for family Hospital Medical coverage. However, if these employees are also enrolled in optional plans, they will be required to pay the premiums for the optional plans. Any surplus premium cannot be applied to the cost of purchasing optional plans.

Within 30 days of employment or marriage, a husband and wife must notify the employing system of their intent to combine allocations. Spouses who are combining allocations must complete a TRANSFER OF ALLOCATION FORM and return the form to their respective employer. Each employer should then code the Insurance Report correctly and forward the TRANSFER OF ALLOCATION FORM to the PEEHIP office.

Spouses can only begin combining insurance allocations at the following times:

1. October 1.
2. First day of the month following marriage (only if employees are enrolled in Hospital Medical plan at the time of marriage and not enrolled in the optional plans).
3. First day of the month following employment. If new employee starts to work on the 1st day of month, the employee and spouse can begin combining allocations on the 1st day of that month if the spouse is already enrolled in family coverage.

If one of the employees changes his or her status, the Insurance Report must be changed accordingly.

Example:

If either the employee or spouse who is combining allocations dies or the couple gets a divorce, the employee cannot continue to get credit for the spouse's allocation. However, in the case of a member or spouse terminating employment or going on an approved leave of absence, the employee or spouse would get credit under the "3-1" rule for any extra earned allocations.

Husband and wife cannot begin combining allocations after the birth of a child.

Federal & State Allocation

The school system will reimburse PEEHIP proportionate amounts on employees who are partially funded by Federal programs.